

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2010

*Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.*

Release Date 2/23/11

## HILL, INZINA & COMPANY

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# HILL, INZINA & COMPANY

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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Commissioners  
Morehouse Sales and Use Tax Commission  
Bastrop, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Commission did not implement Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2010. Accounting principles generally accepted in the United States of America require that postemployment benefits for retired employees be accrued. The amounts by which this departure would affect the liabilities and net assets of the governmental activities are not reasonably determinable.

In our opinion, except for the effect of not accruing postemployment benefits for retired employees for the governmental activities, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Commission as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of the Commission as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the GASB, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*/s/Hill, Inzina & Co.*

December 16, 2010

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

**MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2010**

As management of Morehouse Sales Tax and Use Tax Commission ( the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2010. This discussion and analysis of management is designed to provide an objective and easy to read analysis of the Commission's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Commission's finances. It is also intended to provide readers with an analysis of the Commission's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Commission. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Commission's financial activity, identify changes in the Commission's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the notes to financial statements and the required supplementary information that is provided in addition to this discussion and analysis of management.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commission's financial statements. The Commission's basic financial statements consist of the following components:

**1. Government-wide financial statements**

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the Commission's financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets present information on all of the Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or weakening. Evaluation of the overall economic health of the Commission would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities present information showing how the Commission's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Commission's distinct activities or functions on revenues provided by the users of its services.

The government-wide financial statements report governmental activities of the Commission that are principally supported by charges for services. Governmental activities include *general government only*.

## 2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Commission uses funds to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of the Commission are governmental funds that are used to account for all of the Commission's basic services and are reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Commission's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

## 3. Statement of fiduciary fund net assets

Fiduciary (agency) funds are used to account for resources held for the benefit of taxing bodies. As these resources are not available to support the Commission, the fiduciary (agency) fund is not reflected in the government-wide financial statements. The Commission however benefits by maintaining these funds in the form of fees.

#### 4. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

In addition to the basic financial statements, the Commission also includes in a subsequent section of this report additional information to supplement the basic financial statements.

#### Government-Wide Financial Analysis

The following provides a summary of the net assets of the Commission's governmental activities as of June 30:

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 218,233	\$ 175,350
Capital assets	<u>9,877</u>	<u>16,307</u>
Total assets	<u>\$ 228,110</u>	<u>\$ 191,657</u>
Other liabilities	\$ 33,415	\$ -
Long-term liabilities	<u>7,522</u>	<u>8,391</u>
Total liabilities	<u>\$ 40,937</u>	<u>\$ 8,391</u>
Net assets:		
Invested in capital asset	\$ 9,877	\$ 16,307
Unrestricted	<u>177,296</u>	<u>166,959</u>
Total net assets	<u>\$ 187,173</u>	<u>\$ 183,266</u>

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission will use the unrestricted net assets to meet the ongoing obligations to users of its services and creditors.

By far the largest portion of the Commission's net assets as of June 30, 2010 (94.7%) consists of unrestricted net assets. The remaining portion reflects the Commission's investment in capital assets (furniture, equipment, and a vehicle). The Commission uses these capital assets to provide services to users of its services; consequently, these assets are not available for future spending.



The following summarizes the Commission's net asset changes as of June 30:

	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 248,241	\$ 257,280
General revenues:		
Interest and miscellaneous	<u>2,144</u>	<u>2,998</u>
Total revenues	\$ 250,385	\$ 260,278
Expenses:		
Current:		
General government	<u>254,869</u>	<u>257,305</u>
Change in net assets	\$ ( 4,484)	\$ 2,973
Net assets - beginning	<u>191,657</u>	<u>180,293</u>
Net assets - ending	<u>\$ 187,173</u>	<u>\$ 183,266</u>

The Commission's program revenues decreased by \$9,893 with the total cost of all programs and services also decreasing by \$2,436.

Program revenues derive directly from the program itself and as a whole, reduce the cost of the function to be financed from the Commissions' general revenues.

#### Financial Analysis of Governmental Funds

As of June 30, 2010 the Commission's governmental fund reported an ending fund balance of \$184,818, an increase of \$9,468 from \$175,350 as of June 30, 2009. The fund balance was unreserved and undesignated for both years.

#### General Fund Budgetary Highlights

The Commission made no amendment to its original budget and there were no unfavorable variances of 5% or more with the final budgeted amounts.

### Capital Assets

The Commission's investment in capital assets, net of accumulated depreciation, for the governmental activities as of June 30, 2010 was \$9,877 compared to \$16,307 as of June 30, 2009. The Commission's only capital asset addition during the current fiscal year was the purchase of a desk.

### Economic Factors and Next Year's Budget

The Commission foresees minimal changes in operations for the next fiscal year except for the purchase of approximately \$37,000 of computer upgrades. The adopted budget for the year ending June 30, 2011 included \$30,000 as available fund balance while \$184,818 was actually available.

### Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ron Carter, Administrator, Post Office Box 672, Bastrop, Louisiana 71221-0672.

## BASIC FINANCIAL STATEMENTS

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES  
June 30, 2010

ASSETS

Cash	\$	93,560
Certificates of deposit		100,000
Restricted cash		24,673
Capital assets, net of depreciation		<u>9,877</u>
Total assets	\$	<u>228,110</u>

LIABILITIES

Accounts payable	\$	5,670
Accrued salaries		3,084
Payable from restricted cash		24,661
Long-term liabilities:		
Due within one year		136
Due in more than one year		<u>7,386</u>
Total liabilities	\$	<u>40,937</u>

NET ASSETS

Invested in capital assets	\$	9,877
Unrestricted		<u>177,296</u>
Total net assets	\$	<u>187,173</u>
Total liabilities and net assets	\$	<u>228,110</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
As of and for the Year Ended June 30, 2010

Expenses:

Current:

General government:

Personal services	\$ 183,769
Operating services	33,384
Professional services	19,029
Travel and education	9,407
Depreciation	<u>9,280</u>
Total expenses	\$ 254,869

Program revenues:

Charges for services	<u>248,241</u>
Net program revenue (expenses)	\$( 6,628)

General revenues:

Interest and miscellaneous	<u>2,144</u>
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Change in net assets	\$( 4,484)
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Net assets - beginning	<u>191,657</u>
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Net assets - ending	<u><u>\$ 187,173</u></u>
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See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND  
June 30, 2010

ASSETS

Cash	\$ 93,560
Certificates of deposit	100,000
Restricted cash	<u>24,673</u>
 Total assets	 <u>\$ 218,233</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 5,670
Accrued salaries	3,084
Payable from restricted cash	<u>24,661</u>
Total liabilities	\$ 33,415
 Fund balance - unreserved and undesignated	 <u>184,818</u>
 Total liabilities and fund balance	 <u>\$ 218,233</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - GOVERNMENTAL FUND - GENERAL FUND  
As of and for the Year Ended June 30, 2010

Revenues:

Charges for services	\$ 248,241
Interest and miscellaneous	<u>2,144</u>
Total revenues	<u>\$ 250,385</u>

Expenditures:

Current:

General government:

Personal services	\$ 176,247
Operating services	33,384
Professional services	19,029
Travel and education	9,407
Capital outlay	<u>2,850</u>
Total expenditures	<u>\$ 240,917</u>

Net change in fund balance	\$ 9,468
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Fund balance - beginning	<u>175,350</u>
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Fund balance - ending	<u><u>\$ 184,818</u></u>
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See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
As of and for the Year Ended June 30, 2010

Total fund balance - governmental fund balance sheet	\$ 184,818
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Amounts reported for governmental activities in statement of net  
assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	9,877
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>( 7,522 )</u>
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Total net assets of governmental activities - government-wide statement of net assets	<u>\$ 187,173</u>
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See notes to financial statements.



MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
As of and for the Year Ended June 30, 2010

Net change in fund balance - governmental fund	\$ 9,468
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Amounts reported for governmental activities in statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$9,280) exceeded capital outlays (\$2,850) in the current period.	( 6,430)
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Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>( 7,522)</u>
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Change in net assets - government-wide statement of activities	<u><u>\$ ( 4,484)</u></u>
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See notes to financial statements.

**MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2010**

**Note 1. Organization and Summary of Significant Accounting Policies**

Morehouse Sales and Use Tax Commission (the "Commission") was created by joint agreement of the sales and use taxing bodies of Morehouse Parish, Louisiana, on May 7, 1992, in accordance with Louisiana Revised Statute 33:2844. The purpose of the Commission is to provide centralized collection, enforcement, and administration of sales and use taxes within Morehouse Parish. The governing body of the Commission is comprised of nine non-compensated board members which are appointed as follows:

	<u>Members Appointed</u>
Morehouse Parish School Board	2
Morehouse Parish Police Jury	1
Sheriff of Morehouse Parish	1
City of Bastrop	2
Village of Mer Rouge	1
Village of Bonita	1
Village of Collinston	1

Each appointee of Morehouse Parish School Board and City of Bastrop, as well as the appointees of Morehouse Parish Police Jury and Sheriff of Morehouse Parish, have one full vote as a commissioner and the appointees from Village of Mer Rouge, Village of Bonita, and Village of Collinston have one-third vote each as a commissioner. Each appointed commissioner serves a one year term ending on June 30th of each year.

On December 21, 1999, the Commission entered into a joint agreement with Morehouse Parish Tourism Commission to collect, enforce, and administer the respective hotel/motel occupancy tax as authorized and levied by Morehouse Parish Tourism Commission within the boundaries of Morehouse Parish. The joint agreement also authorizes the Commission to institute suits in the name of Morehouse Parish Tourism Commission to enforce the collection of such tax.

The joint agreement with Morehouse Parish Tourism Commission was renewed effective May 1, 2006 and runs in perpetuity provided, however, that either party may withdraw from the agreement upon 90 day written notice to the authorized representative. For services performed by the Commission under the joint agreement, Morehouse Parish Tourism Commission pays the Commission \$50 per month for collection of ten and under account

## NOTES TO FINANCIAL STATEMENTS

transactions of any tax activity. If the number of tax account activities exceeds the maximum of ten accounts, the collection fee will be negotiated between the two parties and attached as an amendment to the agreement.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Commission is a jointly appointed stand-alone government, as it meets neither the criteria of a primary government, nor a component unit, since its governing board is not elected, and it is not fiscally dependent upon any of the constituent governments. As used in GASB Statement No. 14, fiscally independent means that the Commission may, without the approval or consent of another governmental entity, determine or modify its own budget and set its own rates or charges. The Commission has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the appointed Board of Commissioners are financially accountable.

The more significant of the Commission's accounting policies are described below:

### Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Commission as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities summarizing the fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges for services which report charges to users of the Commission's services. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included within the program revenues are reported as general revenues.

### Fund Financial Statements:

Fund financial statements are provided for governmental funds with the major governmental fund reported in a single column.

## NOTES TO FINANCIAL STATEMENTS

### Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the Commission are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Government fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred. There are no major revenue sources susceptible to accrual.

Fiduciary fund reporting focuses on net assets and changes in net assets. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, fiduciary funds have no measurement focus, but use the modified accrual basis of accounting.

### Fund Type and Major Fund:

The Commission reports the General Fund as a major governmental fund. The General Fund is the general operating fund of the Commission and accounts for all financial resources.

### Budgets and Budgetary Accounting:

The budget for the General Fund was proposed by the Commission's administrator and formally adopted by the Board of Commissioners on June 29, 2009. The annual budget is prepared in accordance with the basis of accounting utilized by the fund. The Commission's administrator is authorized to transfer budgeted amounts within the functions; however, any revisions that alter total expenditures, resulting from revenues exceeding amounts estimated, require approval of the Commissioners. All annual appropriations lapse at the end of each fiscal year.

## NOTES TO FINANCIAL STATEMENTS

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Cash:

Cash includes amounts in interest bearing demand deposits. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

### Certificates of Deposit:

State statutes authorize the Commission to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. If the original maturities of time deposits exceed 90 days, they are classified as certificates of deposit; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost, which approximates market value.

### Restricted Assets:

Restricted assets are reported for cash legally restricted for specified uses such as the repayment of sales taxes paid under protest.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as needed.

### Capital Assets and Depreciation:

The Commission's furniture, equipment, and vehicle with useful lives of more than one year are stated at historical cost. Capital assets are comprehensively reported in the government-wide financial statements.

## NOTES TO FINANCIAL STATEMENTS

The Commission generally capitalizes assets with cost of \$1,000 or more as purchase outlays occur. The costs of normal maintenance and repairs not adding to an asset's value or materially extending its useful life are not capitalized. Capital assets are depreciated using the straight-line method over estimated useful lives of five years. Upon disposition of capital assets, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

### Accumulated Compensated Absences:

Allowable annual vacation and sick leave is prescribed by the Commission's personnel policy, based on length of continuous employment by the Commission, accrued on an employment anniversary basis, and accrued to specified maximums. Hourly employees may elect compensatory time in lieu of overtime pay with proper documentation and approval by the Commission's administrator. Compensatory time is granted to supervisory personnel in lieu of overtime pay.

The Commission's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16, *Accounting for Compensated Absences*, provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

## NOTES TO FINANCIAL STATEMENTS

2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Annual vacation time should be taken in the year following that in which it was accrued but if not, a maximum of five days can be carried forward to use during the next year. If an employee is unable to utilize any vacation days over the maximum that may be carried forward, then the unused portion will be credited as extended sick leave.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Compensated absences are paid from the fund responsible for the employee's compensation.

### Long-Term Liabilities:

Accrued compensated absences are reported as liabilities in the government-wide financial statements. Expenditures for compensated absences are recorded in the fund financial statements only when payment is made.

Accounting principles generally accepted in the United States of America require that postemployment benefits for retired employees be accrued and reported as liabilities in the government-wide financial statements. The Commission did not accrue such benefits for the year ended June 30, 2010 for the governmental activities.

### Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and further classified as invested in capital assets (consists of capital assets net of accumulated depreciation) or unrestricted (consists of all other assets).

In the fund financial statements, the governmental fund balance is classified as unreserved and undesignated as amounts are available for appropriation and not legally restricted for specified purposes.

### Revenue Recognition:

Fees for the collection of sales and use taxes are recorded when the Commission is entitled to the funds which is normally the same month the taxes are collected by the Commission.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash and Certificates of Deposit

As of June 30, 2010, the Commission had cash and certificates of deposit (book balances) as follows:

Interest-bearing demand deposits	\$ 118,033
Certificates of deposit	100,000
Petty cash	<u>200</u>
	<u>\$ 218,233</u>

The deposits are stated at cost, which approximates market. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the Commission or its agent in the name of the Commission in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2010, the Commission had \$816,890 in deposits (collected bank balances). These deposits were secured from risk by \$345,137 of federal deposit insurance and \$471,753 of pledged securities held by the financial institution.

Although the Commission is compliant with state imposed investment restrictions, it has not formally adopted deposit and investment policies.

There were no repurchase or reverse repurchase agreements as of June 30, 2010.

### Note 3. Restricted Cash and Liability Payable from Same

Restricted assets of \$24,673 consist of funds required to be maintained and the use is restricted to the repayment of sales tax paid under protest.



## NOTES TO FINANCIAL STATEMENTS

### Note 4. Capital Assets

Capital asset and depreciation activity for the year ended June 30, 2010 of the Commission is as follows:

	Balance July 1, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2010</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 44,216	\$ 2,850	\$ -	\$ 47,066
Vehicle	<u>18,784</u>	<u>-</u>	<u>-</u>	<u>18,784</u>
Total capital assets being depreciated	<u>\$ 63,000</u>	<u>\$ 2,850</u>	<u>\$ -</u>	<u>\$ 65,850</u>
Less accumulated depreciation:				
Furniture and equipment	\$( 32,465)	\$( 5,523)	\$ -	\$( 37,988)
Vehicle	<u>( 14,228)</u>	<u>( 3,757)</u>	<u>-</u>	<u>( 17,985)</u>
Total accumulated depreciation	<u>\$( 46,693)</u>	<u>\$( 9,280)</u>	<u>\$ -</u>	<u>\$( 55,973)</u>
Total capital assets being depreciated, net	<u>\$ 16,307</u>	<u>\$( 6,430)</u>	<u>\$ -</u>	<u>\$ 9,877</u>

### Note 5. Long-Term Liabilities

The following is a summary of the transactions of the Commission's long-term liabilities for the year ended June 30, 2010:

	Compensated <u>Absences</u>
Balance - July 1, 2009	\$ 8,391
Retirements	<u>( 869)</u>
Balance - June 30, 2010	<u>\$ 7,522</u>

## NOTES TO FINANCIAL STATEMENTS

The following is a summary of the current (due within one year) and long-term (due within more than one year) portions of long-term liabilities as of June 30, 2010:

	Compensated <u>Absences</u>
Current portion	\$ 136
Long-term portion	<u>7,386</u>
Total	<u>\$ 7,522</u>

As of June 30, 2010, employees of the Commission had accumulated and vested compensated absences which were computed in accordance with GASB Statement No. 16. The total amount accrued as of June 30, 2010 is reported in the statement of net assets as long-term liabilities.

### Note 6. Pension Plan

#### Plan Description:

All full-time employees of the Commission are members of Municipal Employees' Retirement System of Louisiana (the "System"), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Commission are members of Plan A.

#### Employee Eligibility Requirements:

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from Commission funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

## NOTES TO FINANCIAL STATEMENTS

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

### Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 13.5% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Commission are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The Commission's contributions to the System under Plan A for the years ended June 30, 2010, 2009, and 2008 were \$16,877, \$17,472, and \$17,268, respectively, equal to the required contributions for each year.

### Legislative Changes:

Act 584 of 2006 implemented a new plan of benefits for employees hired January 1, 2007 and later. The changes affected the final average compensation, eligibility ages for normal retirement, years of service required for disability retirement eligibility, and the payment date of actuarial cost of leave conversion.

### Note 7. Postemployment Health Care Benefits

The Commission provides certain continuing health care insurance for its retired employees. Substantially all of the Commission's employees become eligible for this benefit if normal retirement age is attained while employed by the Commission. This benefit for retirees and a similar benefit for active employees are provided through an insurance company whose monthly premiums are paid by City of Bastrop with the Commission making reimbursement payments. The Commission's costs of providing health care benefits are recognized as expenditures when the monthly reimbursements are due.

Accounting principles generally accepted in the United States of America require that postemployment benefits for retired employees be accrued. The Commission did not accrue such benefits for the year ended June 30, 2010 for the governmental activities.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Changes in Due to Taxing Bodies

Balance July 1, 2009	\$ <u>7,260</u>
Collections:	
Sales and use tax	\$ 14,126,634
Hotel/motel occupancy tax	46,270
Interest	<u>438</u>
Total collections	<u>\$ 14,173,342</u>
Remittances:	
Taxes distributed:	
Morehouse Parish School Board	\$ 5,398,040
Morehouse Parish Police Jury	1,349,855
Morehouse Parish Sheriff	1,349,516
City of Bastrop	4,550,730
City of Bastrop Sales Tax District No. 1	902,088
Village of Mer Rouge	246,102
Village of Bonita	26,228
Village of Collinston	21,347
East School District	299
Morehouse Parish Tourism Commission	46,169
Refunded sales and use tax	7,368
Non-sufficient funds uncollected	7,173
Bank fees	2,227
Reimbursed Commission's costs	28,732
Collection fee to Morehouse Sales and Use Tax Commission	<u>249,799</u>
Total remittances	<u>\$ 14,185,673</u>
Other	<u>\$ 5,071</u>
Balance June 30, 2010	<u><u>\$ -</u></u>

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Contingencies and Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There have been no significant reductions in the insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

As of June 30, 2010, the Commission had received a claim for refund of sales taxes in the amount of \$185,517 for periods from January 2005 through July 2008. According to the Commission's legal counsel, the likely outcome of the litigation is impossible to predict with any degree of comfort and the claim is being vigorously defended.

Related litigation has also been referred to the Commission's legal counsel for payment of sales taxes under protest beginning in January 2010 by the same taxpayers requesting the refund. Again, it is impossible to predict the outcome of this case. As to the payments under protest, considering the fact that those payments are being held in escrow, the only exposure to the Commission if the case is decided adverse to the Commission would be statutory interest on the amounts refunded from escrow (see Note 3).

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

**MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA**

**BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - GENERAL FUND  
As of and for the Year Ended June 30, 2010**

	<u>Budget</u>			Variance -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>				
Charges for services	\$ 239,376	\$ 239,376	\$ 248,241	\$ 8,865
Interest and miscellaneous	<u>3,300</u>	<u>3,300</u>	<u>2,144</u>	<u>( 1,156)</u>
Total revenues	<u>\$ 242,676</u>	<u>\$ 242,676</u>	<u>\$ 250,385</u>	<u>\$ 7,709</u>
<b>Expenditures:</b>				
Current:				
General government:				
Personal services:				
Salaries	\$ 138,140	\$ 138,140	\$ 133,053	\$ 5,087
Retirement	18,446	18,446	16,877	1,569
Group health insurance	21,300	21,300	23,497	( 2,179)
Payroll taxes	2,115	2,115	1,990	125
Workers' compensation insurance	1,175	1,175	830	345
Unemployment insurance	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total personal services	<u>\$ 182,176</u>	<u>\$ 182,176</u>	<u>\$ 176,247</u>	<u>\$ 5,929</u>
Operating services:				
Dues and subscription	\$ 1,000	\$ 1,000	\$ 1,165	\$( 165)
Printed forms	2,000	2,000	-	2,000
Postage and permits	3,500	3,500	3,606	( 106)
Telephone	4,000	4,000	4,422	( 422)
Office rent and utilities	10,000	10,000	10,803	( 803)
Repairs and maintenance	4,000	4,000	6,679	( 2,679)
Office supplies	3,000	3,000	5,635	( 2,635)
Computer upgrades	<u>500</u>	<u>500</u>	<u>1,074</u>	<u>( 574)</u>
Total operating services	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 33,384</u>	<u>\$( 5,384)</u>

(continued)

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - GENERAL FUND  
(Continued)

As of and for the Year Ended June 30, 2010

	<u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Professional services:				
Legal	\$ 8,000	\$ 8,000	\$ 10,831	\$( 2,831)
Audit	7,000	7,000	5,940	1,060
Insurance	<u>3,500</u>	<u>3,500</u>	<u>2,258</u>	<u>1,242</u>
Total professional services	<u>\$ 18,500</u>	<u>\$ 18,500</u>	<u>\$ 19,029</u>	<u>\$( 529)</u>
Travel and education	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 9,407</u>	<u>\$ 3,593</u>
Capital outlay	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 2,850</u>	<u>\$( 1,850)</u>
Total general fund expenditures	<u>\$ 242,676</u>	<u>\$ 242,676</u>	<u>\$ 240,917</u>	<u>\$ 1,759</u>
Net change in fund balance	\$ -	\$ -	\$ 9,468	\$ 9,468
Fund balance - beginning	<u>100,000</u>	<u>100,000</u>	<u>175,350</u>	<u>75,350</u>
Fund balance - ending	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 184,818</u>	<u>\$ 84,818</u>



# HILL, INZINA & COMPANY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Morehouse Sales and Use Tax Commission  
Bastrop, Louisiana

We have audited the financial statements of the governmental activities and the major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain

deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-2.

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Commission's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

*/s/Hill, Ingina & Co.*

December 16, 2010

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION  
As of and for the Year Ended June 30, 2010

We have audited the financial statements of the governmental activities and the major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2010 resulted in a qualified opinion on the governmental activities and an unqualified opinion on the major fund.

Section I - Summary of Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Internal Control

Significant Deficiencies ☒ Yes ☐ No

Material Weaknesses ☐ Yes ☒ No

Compliance

Material to Financial Statements ☒ Yes ☐ No

Section II - Financial Statement Findings

2010-1    Inadequate Segregation of Duties (initially cited in first audit conducted by our firm as of and for the year ended June 30, 1994)

Criteria:            Adequate segregation of duties is essential to a proper internal control structure.

Condition:        The segregation of duties is inadequate to provide effective internal control.

Cause:             The condition is due to economic limitations.

Effect:             Not determined.

Recommendation: No action is recommended.

Management's  
response and  
planned cor-  
rective action:

We concur in the finding, but it is not economically feasible for corrective action to be taken.

2010-2 GASB Statement No. 45 Not Implemented (initial citing)

Criteria: Accounting principles generally accepted in the United States of America require that postemployment benefits for retired employees be accrued in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Condition: The Commission did not implement GASB Statement No. 45 as required for the fiscal year ended June 30, 2010.

Cause: Information as to the calculation required for recording the effects of the statement was not readily available from affordable sources.

Effect: The amounts by which not implementing the statement would affect the liabilities and net assets of the governmental activities are not known.

Recommendation: The Commission should acquire the necessary knowledge to record the effects of implementing the statement.

Management's  
response and  
planned cor-  
rective action:

We concur in the finding. Our health care insurance premiums are provided through an insurance company whose monthly premiums are paid by City of Bastrop with the Commission making reimbursement payments. Upon City of Bastrop implementing GASB Statement No. 45, our accrual will be made separately and reported to us as such.

Section III - Management Letter

Not issued.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
As of and for the Year Ended June 30, 2010

Section I - Financial Statement Findings

2009-1    Inadequate Segregation of Duties

Adequate segregation of duties is essential to a proper internal control.

Unresolved - 2010-1.

Section II - Management Letter

2009-1    Tax Distributions

\$100 more of hotel/motel tax was distributed than was collected while also approximately \$4,000 more of sales taxes were distributed than collected.

Resolved.

2009-2    Coding Errors

\$4,551 of hotel/motel tax was coded as sales tax revenue.

Resolved.

2009-3    Interest Earned Not Distributed

The Board of Commissioners approved the distribution of interest earned on the disbursement account in October 2008 but such distribution has not been made as of June 30, 2009.

Resolved.

2009-4    Voided Receipts

Four 'voided' receipts were examined with only 75% having three of the four copies of the receipt retained and intact in the spiral-bound book.

Resolved.

2009-5    Deposit and Investment Policy

A formal deposit and investment policy has not been adopted by the Board of Commissioners.

Unresolved - Oral.

**2009-6    Holiday Policy**

**Employees of the Commission were granted holidays in addition to those specifically stated in the policy manual without consent of the Chairman of the Board of Commissioners.**

**Resolved.**